

VARIA U.S. PROPERTIES

INFORMATION ABOUT THE 1st QUARTER 2018

INTRODUCTION

HIGHLIGHTS

Capital increase proceeds fully invested after the last two acquisitions under contract

Non controlling interests transfer near completion

EGI*: \$18.7 M.

NOI: \$ 10.2 M******

Net cash flow: \$ 5.1****

Net yield at propco level*: 9.2%**

Units number: 8,574

Physical vacancy rate: 6%.

Economic vacancy rate: 2.9%

* Effective Gross Income

** Net Operating Income

*** Q1 figure annualized

**** \$ 300,000 additional expenses expected after completion of the transfer

Dear Investors,

The intent of this report is to give you an update regarding the latest developments and performance of the Company during the first three months of the year. All figures are meant to be at property level, they are neither consolidated nor audited. We do not intend to repeat what has been published very recently in the full year report of 2017 and would like to focus on what happened since the beginning of the year.

The Company did publish – and will continue to publish – a similar report on a regular basis after Q1 and Q3 of each year, unless it cannot proceed for regulatory reasons, such as, for example, when working on a capital increase. In these circumstances, the Company is not authorized to communicate any information outside of the prospectus that is or will be published. For Q2 and Q4, the Company publishes its half year and full year report, that replace the shorter quarterly report.

During the 1st quarter of this year, the main focus of the Company was on the transfer of the former Peak portfolio as well as on acquisitions.

The Company was able to change property management for all previously Peak managed properties by March 1st and we are in the process of accomplishing the loan transfers. This should be completed by the end of June at the latest. This transfer is expected to allow the Company to save yearly about USD600'000 in asset management fees and to retain 100% of the profit of the now wholly owned

portfolio.

In terms of acquisitions, the Company acquired 4 properties over the first quarter of the year (see details below). In the last few weeks it placed two more properties under contract. Once these two transactions are closed, the full equity amount raised last January will be completely invested.

With regard to the performance in Q1 2018, the Company did well: Total revenue for the quarter reached USD 18,697,122 at property level. The total Net operating income is USD 10,212,935; this is above the Company's expectations, but it is anticipated that additional expenses of approximately USD 300,000 will be received and paid between April and May for the month of March (the month of the transition). The Net cash flow was just above five million at USD 5,082,027, but it is anticipated that it will be reduced to USD 4,800,000 after full execution of the transfer. The cash flow mentioned above include a principal reimbursement of USD 433,392 which equals a similar reduction of the debt of the Company, as well as an additional net escrow with the lenders of USD 152,500.

We hope that you will enjoy reading this short report and we thank you for your trust and confidence.

FOCUS ON: EQUITY DEPLOYMENT

4 acquisitions during Q1.

During the first quarter of the year, the Company acquired 4 properties. In the last few weeks, the Company was able to put two more properties under contract. All of the equity raised during the capital increase in January 2018 has been invested through these acquisitions. The Company has a remaining amount of available cash of about USD 9,000,000 that it intends to invest or commit before the end of Q2 2018.

In summary, the property acquired and under contract are the following:

Property and location	Status`	Units	Acquisition price USD	Equity invested USD	Expected average cash on cash yield
River Oaks Tucson (AZ)	Closed (January 11)	300	20,500,000	9,800,000	9,4%
Tierra Pointe Albuquerque (NM)	Closed (January 17)	352	26,000,000	11,300,000	9,2%
Cinnamon Tree Albuquerque (NM)	Closed (March 8)	398	21,500,000	9,800,000	9,3%
Meadows Memphis (TE)	Closed (March 21)	200	13,500,000	6,200,000	9,0%
Woodridge Cincinnati (OH)	Under contract (Ongoing due-diligence)	336	23,520,000	10,100,000*	9,8%
Village at Mayfield Cleveland (OH)	Under contract (Ongoing due-diligence)	252	27,150,000	15,500,000*	9,3%
Total		1,838	132,170,000	62,700,000	

NCI TRANSFER

The full implementation of the transfer of the non-controlling interests (NCI) should be accomplished by the end of Q2 2018. It comprised three major steps:

- a. Replacement of the property management companies. This transfer occurred on March 1st for most of the portfolio transferred to Varia. This portfolio was split between two property management companies (Bridge Property Management – Utah, and Bridge Real Estate - Florida) that already had Varia properties under management. Both companies have been successful during the take-over phase, both in terms of human resources and accounting, even if the work will be completed during Q2. Very little disruption occurred and plans are in place to address the maintenance and compliance issues that surfaced.

- b. Transfer of the loans. A total of 29 loans had to be transferred, with three different lenders (Freddie Mac 23, Fannie Mae 4 and HUD 2) with three different servicers (Berkadia 25, JLL 2, Prudential 2). This work is ongoing and should be fully completed by the end of Q2. Two of the loans, that had variable interest rates, were not transferred but rather converted into fixed interest rate loans with interest-only payments for their full 7 year terms.
- c. Housing Authority approval: 17 of the 30 properties retained by Varia are LIHTC properties located across 10 States; necessitating approval by the local housing authority. A few approvals are still outstanding but are expected in the next few weeks.

This transfer represented a significant amount of work with an associated cost of about USD 3.4 million of which USD 2.8 million was already accrued in the 2017 financial statements. The Company will notwithstanding greatly benefit from this transaction as it expects to save annually about USD 600,000 of asset management fee and will be entitled to 100% of the profits of the now wholly owned portfolio. In terms of image, this transaction also benefits the Company with a much more straight-forward structure and governance.

Q1 PORTFOLIO PERFORMANCE REVIEW

A preliminary summary of the Varia Portfolio Q1 operating results is provided below. These figures are calculated at property level and are not consolidated at the blockers or Varia level. They are unaudited and given here on a purely indicative basis. They do not correspond in all respects to IFRS figures. They are subject to change and Varia shall not be responsible of investment decisions based on them. Only the figures presented in the last annual report or the next semi-annual report shall be taken into account.

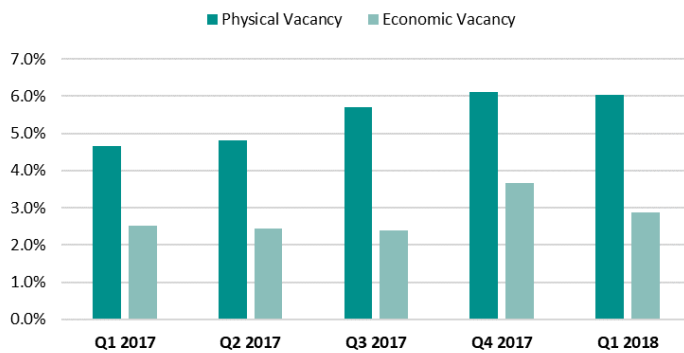
	Q1 2018	Q1 2017
Effective Gross Income (EGI)	\$ 18.7 M	\$ 12.7 M
Total Operating expenses	\$ 8.5 M*	\$ 5.6 M
Net Operating Income (NOI)	\$ 10.2 M*	\$ 7.0 M
Total Net capex expenditures	\$ 0.7 M	\$ 0.6 M
Debt service	\$ 3.9 M	\$ 2.4 M
Mortgage principal repayment	\$ 0.4 M	\$ 0.4 M
Ownership expenses	\$ 0.1 M	\$ 0.2 M
Net cash flow	\$ 5.1 M*	\$ 3.4 M
Net cash flow yield (Q1 annualized)	9.2%	11.2%

* Due to the ongoing transfer, some invoices have not been registered in March 2018 but will be booked in April and May. We estimate the remaining amount to be considered of about USD 300,000, which will have an impact on the total

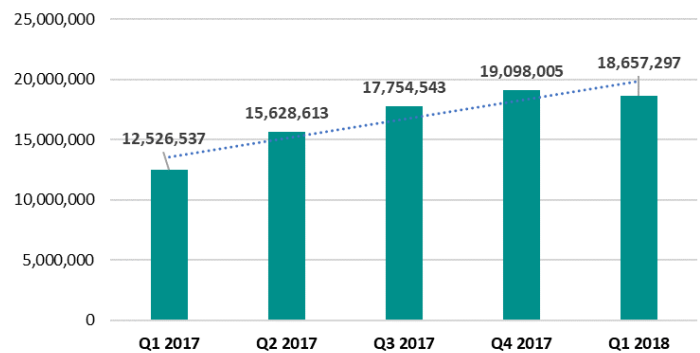
operating expenses (estimated amount of USD 8.8 million), on the NOI (estimated amount of USD 9.9 million) and on the net cash flow (estimated amount of USD 4.8 million). The annualized cash on cash yield should be at 8.7% for Q1.

The diminution of the cash on cash yield is expected as the Company acquires more assets and starts to implement a value-add strategy. The yield will increase with the completion of the strategy and the stabilization of the properties. Currently, the Company has a 25% ROCE on its unit renovation work on average.

Portfolio Physical and Economic Vacancy Rate



Portfolio Total Gross Potential Rent



The reduction of Gross Potential Rent in Q1 2018 is due to the transfer of 6 properties to the NCI in payment of their share in the rest of the portfolio.

MARKET UPDATE

The market in the US has been quite competitive since the beginning of the year due to enormous amounts of capital looking to be placed in the multifamily sector and despite a significant increase in interest rates (+50 bips increase in the U.S. Treasury index since January 2018).





The 2017 tax reform continues to impact positively the real estate market and pushes prices up. Rents are increasing at a lower pace than in the recent past, but in line with historical averages and our underwritings. Our portfolio posts higher rent growth than national averages due to our value-add execution (e.g. unit rehabilitation generating rent premiums averaging more than \$100 per month per unit).

The dollar had a high volatility since the beginning of the year, starting on January 1st at 0.974 and ending May 4 at 0.991 after having experienced a low on February 15 at 0.922. The Company benefited from this volatility by exchanging part of the proceeds of the capital increase at a very interesting rate.

If we consider the trend over the last 10 years, the dollar has been navigating on average at 0.9779 (source: fxtop.com).



TERMS

Structure	Real Estate Company	Life duration	Unlimited
Incorporation	Switzerland	Market Cap on 31.03.2018	CHF 342.9 M
Inception	September 2015	SIX ticker	VARN
Asset Manager	Stoneweg SA	ISIN	CH0305285295

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